

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance, Strategy & Partnerships and the Executive Director - (Strategy and Resources) (S151)

To: Cabinet 7 September 2021
South Holland District Council 22 September 2021

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Subject: 2020/21 Financial Outturn

Purpose: To provide information on the outturn financial position of the Council as at 31 March 2021.

Recommendation(s) to Cabinet:

- 1) That the report and **Appendix A** be noted.
- 2) That the contributions to and use of reserves be agreed in line with para 5.5.1 to 5.5.3 and **Appendix A, Tables 3 and 4** of this report.

Recommendation(s) to Council:

- 3) The General Fund Underspend be transferred to the Council Tax Reserve
- 4) That the General Fund Capital Programme and HRA Capital Programme be approved as set out in **Section 4 of Appendix A**.

1.0 BACKGROUND

- 1.1 Throughout the year quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides information on the unaudited 2019/20 outturn financial position for the following areas:
- The General Fund Revenue Budget (GF),
 - Housing Revenue Account (HRA),
 - The General Fund and HRA Reserves Position,
 - The Capital Programme for 2020/21 (GF and HRA), and
 - The Treasury Management Performance for the year.

2.0 OPTIONS

2.1 To note the report and to approve the recommendations detailed above.

2.2 Do nothing.

3.0 REASONS FOR RECOMMENDATION(S)

3.1 To provide members with information on the Council's overall financial performance in 2020/21.

4.0 EXPECTED BENEFITS

4.1 To ensure that members are updated regularly and in a timely fashion on the overall Council Financial position.

4.2 To make the best use of the funding available to the Council and allow us to respond quickly to opportunities as they arise.

5.0 IMPLICATIONS

5.1 This report is financial in nature. The outturn position in respect of the General Fund, HRA, Capital Programme, Reserves and Treasury Management are summarised below with further detail at **Appendix A**.

5.2 General Fund Revenue Outturn

5.2.1 The final year actual was an underspend of £125k. Additional Government Grant (£1.340m) to help support Councils with budget pressures resulting from the Covid pandemic and (£0.407m) compensation for a proportion of income lost in sales, fees and charges has been received in the year. It is recommend that the £125k underspend is transferred to the Council Tax Reserve.

5.2.2 The revenue outturn position by Directorate is detailed at **Appendix A - Table 1** together with an analysis of service variations.

5.3 Business Rates & S31 Grants

5.3.1 As a result of the Covid pandemic, the Government announced expanded NNDR relief for Retail, Hospitality, Leisure and Nurseries, which totalled around £8m for South Holland. Government have fully recompensed Councils for this lost income through NNDR S31 grants received in 2020/21.

5.3.2 In addition, the Government adopted 75% income compensation schemes for lost income in 2020/21 relating to irrecoverable Council Tax and Business Rates (NNDR), with values calculated at the end of the financial year and recognised in the 2020/21 financial year.

5.3.3 Both these reliefs and irrecoverable income create a deficit to the council through lost NNDR and Council Tax income. Due to accounting rules, the surplus or deficit on Council Tax (£17k surplus) and NNDR income (£4.072m deficit) are recognised in the following year (i.e. 2021/22), and are therefore reversed out of the Retained Business Rates figure below, however, the income compensation was paid in the 2020/21 financial year. The Council approved at its meeting on 3 March 2021, that these grants be carried forward in full to the 2021/22 financial year to cover the deficits recognised.

	Budget £'000	Outturn £'000	Variance £'000
Retained Business Rates	(3,493)	(3,517)	(24)
Section 31 Grant due in 20/21	(1,252)	(5,257)	(4,005)
Transfer to Earmarked Grants Reserve relating to S31 Grant	-	4,005	4,005

5.4 **Housing Revenue Account (HRA) Revenue Outturn**

5.4.1 The HRA has delivered a total surplus budget of (£3.019m), a favourable forecast of (£471k), detail is provided at **Appendix A - Table 2**.

5.5 **Reserves (GF and HRA)**

5.5.1 The Council approved changes at its meetings in the year resulting in an increased actual use of reserves £1.314m (due in the main to transfer funding of £1.1m to the Food Enterprise Zone). As explained at 5.3.3 above, the reserves have also received a contribution of grant earmarked for use in 2021/22 of £4.005m. The actual net contribution to reserves for 2020/21 is (£3.403m) with further detail shown in **Appendix A – Table 3**.

5.5.2 In addition, the General Fund Reserve Balance remains at £2.078m.

5.5.3 The HRA General Reserve balance has delivered an overall increase of £3.787m from £23.595m to £27.382m. More detail is provided at **Appendix A – Table 4**.

5.6 **Capital – General Fund**

5.6.1 The total General Fund Capital Programme for 2020/21 was £9.221 all of which had received specific scheme approval. Compared to the approved budgeted the in-year spend totalled £7.633m, giving an underspend of £1.588m.

- 5.6.2 **Appendix A – Table 6** provides more information on the 2020/21 General Fund capital outturn position, how it was funded and the variances from budget. **Table 7** provides details of the revised 2021/22 capital programme as a result of required rollover of underspent budgets.
- 5.6.3 It is recommended that Council approves the revised 2021/22 General Fund Capital Programme, as set out at **Appendix A table 6**, of £9.221m.
- 5.6.4 During 2021/22 there may be new emerging capital project funding requirements. Any required amendments to the capital programme will be presented in the Quarterly reports during 2021/22.

5.7 Capital – HRA

- 5.7.1 The total HRA Capital programme for 2020/21 was £6.377m all of which had received specific scheme approval. Against this approved budget in-year spend totalled £4.912m, an underspend of £1.465m. **Appendix A Table 9**.
- 5.7.2 It is recommended that Council approves the revised 2021/22 HRA Capital Programme, as set out at **Appendix A table 9**, of £6.377m.

6 Treasury Management.

- 6.1.1 **Appendix A - Section 5** provides information on the investments held by the Council at 31 March 2020 (£50.7m). The average investments held during the year were £50.66m.
- 6.1.2 Interest earned on investments in 2020/21 was £325k (compared to the budget of £544k).
- 6.1.3 Members are asked to note the Treasury Management position. More information on Treasury Management is available in the Treasury Annual Report which was considered by Governance and Audit Committee on 29 July 2021, and will be considered by Full Council on 22 September 2021.

7 Statement of Accounts.

- 7.1.1 The unaudited Statement of Accounts for the financial year ended 31st March 2021 have been provided to the Council's auditors (Ernst Young), with the audit due to commence in October 2021.
- 7.1.2 The unaudited Statement of Accounts was published on the Council's website on 30 July 2021 for public inspection, in line with The Accounts and Audit Regulations 2015.
- 7.1.3 The Financial Statements have been prepared under The Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

8 WARDS/COMMUNITIES AFFECTED

8.1.1 Income and expenditure affects all wards of the Council.

9 ACRONYMS

9.1.1 GF General Fund
HRA Housing Revenue Account
MHCLG Ministry of Housing, Communities and Local Government
MTFS Medium term Financial Strategy

Background papers: The 2020/21 Estimates Report to Council 26 February 2020
Q1 Outturn 2020/21 to Cabinet 15 September 2020
Q2 Outturn 2020/21 to Cabinet 27 October 2020
Q3 Outturn 2020/21 to Cabinet 16 February 2021

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Financial report for 2020/21 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.